

**Ernie Fletcher**  
Governor

**LaJuana S. Wilcher**  
Secretary  
Environmental and Public  
Protection Cabinet



**Environmental Quality Commission**  
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**Environmental Quality Commission**

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May 26, 2005

LaJuana S. Wilcher, Secretary  
Environmental and Public Protection Cabinet  
Capital Plaza Tower  
Frankfort, KY 40609

Dear Secretary Wilcher:

The Kentucky Environmental Quality Commission (EQC) reviewed oil and gas drilling issues at its March 10, 2005 public meeting. At this meeting, Rick Bender, Director of the Division of Oil and Gas shared with the commission oil and gas production trends as well as regulatory concerns.

Some of the facts shared with the commission at the meeting include:

- Kentucky has 48,000 active producing wells generating \$600 million in revenues.
- The number of oil and gas permits issued in Kentucky has increased since 2000.
- Infrastructure and lack of equipment are the greatest impediments to increasing oil and gas production in Kentucky.
- There are 8,000 abandoned wells in Kentucky of which 2,616 have been plugged using the interest on principal from bond forfeitures.
- It costs on average, \$2,000 to plug and reclaim an oil and gas well site.

Among the issues reviewed at the meeting include:

- Current oil and gas bonds fail to fully fund the plugging and reclamation of well sites.
- The Division of Oil and Gas lacks the regulatory tools to discourage bad actors.
- The Division of Oil and Gas lacks adequate funds to address the growing number of abandoned wells.

Based on this information, EQC recommends that the Environmental and Public Protection Cabinet review the oil and gas program and consider the following regulatory and/or statutory changes:

- Increase current oil and gas bonds to adequately cover the cost to plug and reclaim well sites and bring Kentucky in line with other states.
- Establish oil and gas rules to identify and address bad actors (those that have forfeited bonds in the past or have a history of regulatory problems).
- Provide for additional sources of funds to plug and reclaim abandoned oil and gas wells.
- Provide additional regulatory tools such as abatement plans to address contamination and other environmental issues associated with oil and gas production.
- Advance oil and drilling practices and technologies to operate safely and protect the environment.

EQC believes there is a significant opportunity for the Cabinet to work with the oil and gas industry and other stakeholders to address these concerns to ensure continued oil and gas production while safeguarding the environment. Thank you for your consideration of these recommendations. Please feel free to contact the commission if you have any questions.

Sincerely,

A handwritten signature in black ink, reading "Lindell Ormsbee". The signature is fluid and cursive, with the first name "Lindell" being more prominent and the last name "Ormsbee" following in a similar style.

Lindell Ormsbee, Chair  
Environmental Quality Commission

Cc: Susan Bush, Department for Natural Resources